
WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 4.23.2010

Despite The Rhetoric, Democrats' Financial Reform Proposals Continue Bailouts and "Too Big to Fail"

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In the last week, the President and Congressional Democrats have relied on rhetoric to obscure the facts on their financial reform proposals. The fact is that despite the Democrats' claims, their proposals fail to bring an end to the Wall Street bailouts.

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The Democrats' so-called "reform" proposals ensure major firms will be propped up with taxpayer dollars and not given the freedom to fail. Under the Democrats' proposal, companies that do business with financial institutions that are designated as "too big to fail" will benefit from a bailout fund, with the government having the authority to make loans to the failed company, purchase its assets, and guarantee its debt. In other words, AIG-style bailouts will continue.

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The House Democrat legislation gives the FDIC authority to provide up to \$1 trillion in guarantees to "avoid or mitigate adverse effects on systemic economic conditions or financial stability." This proves yet again that the Democrats proposal protects Wall Street over Main Street.

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Despite being asked numerous times in the last six months to explain exactly how the Administration's resolution authority would work to resolve a failed institution and the cost associated with it, Secretary Geithner said last week that such questions are "unanswerable." Congress should have a clear understanding of the costs of this new authority and how it will be deployed in the event of a major financial institution's collapse before voting on the proposal.

Democrats Are Missing An Opportunity To Reform Fannie, Freddie.

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Financial regulatory reform must address the future of Fannie and Freddie and bring an end to their bailout.

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The Democrats' silence on the future of Fannie Mae and Freddie Mac is irresponsible. Instead of providing real reform of the GSEs, the Democrats are exempting them from the regulatory structure that is created under their proposals. Fannie and Freddie should not be given any preferential treatment when it comes to regulatory oversight.

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The Democrats cannot be allowed to repeat the same mistakes of the past of looking the other way instead of tackling the problems that threaten the safety and soundness of Fannie and Freddie.

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The bailout of Fannie and Freddie has already cost taxpayers \$127 billion and is projected to cost taxpayers hundreds of billions more. Now is the time for Congress to take decisive action and address exactly how the government will end the bailout and wind down the operations of the GSEs.

Legislative Efforts To Undermine The Citizens United Decision Through The Corporate Proxy Will Dramatically Increase Political Interference In Boardrooms And Empower Activist Shareholders.

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H.R. 2861, the so-called Shareholder Empowerment Act, falls short of protecting the interests of all investors. Instead, a minority of activist shareholders with political agendas and short-term profit motives will benefit.

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Requiring shareholders to approve activities protected by the First Amendment and the daily decisions made by management interferes with state corporate law and, without requiring union organizations to receive approval from their members, would create a double standard and undermine the free speech rights of all involved.

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H.R. 2861 will unfairly burden our small companies who lack the resources and personnel to comply with the bill's requirements.

ON THE HORIZON

Tuesday, April 27: At 10 am in room 2128 Rayburn, the Full Committee will convene a markup of the following bills: flood Insurance; H.R. 2555, Homeowners' Defense Act; H.R. 1264, Multiple Peril Insurance Act; FHA Reform; and the Shareholder Protection Act.

Wednesday, April 28: The Housing Subcommittee will meet for a hearing on housing preservation at 10 am in room 2128 Rayburn. The International Monetary Policy Subcommittee will convene for a hearing entitled "Promoting Small and Micro Enterprise in Haiti" at 2 pm in room 2128 Rayburn. Also at 2 pm, the Oversight Subcommittee will hold a hearing entitled "Reviewing FinCEN Oversight Reports in room 2220 Rayburn.

Thursday, April 29: The Capital Markets Subcommittee will convene for a hearing on credit default swaps at 10 am in room 2128 Rayburn.

WEEKEND MUST-READS

NPR: "Experts Say Bills Won't End Too Big To Fail... "A vote for reform is a vote to put a stop to taxpayer-funded bailouts," Obama said in his speech in New York on Thursday. I cannot find any experts -- of any party -- who are willing to agree with Obama on this one."

NRO: "Too Big to Work... The banking bill, "as it exists, now, is a change in our philosophy as a country," Alabama congressman Spencer Bachus, ranking member of the Financial Services Committee, warned this afternoon."

Wall Street Journal: "Finance Bill Climax Looms ... President Barack Obama used a Manhattan speech to urge top banking executives to back his sweeping overhaul of financial-market rules, while in Washington the bill gained steam as cracks in the Republican opposition improved its prospects in Congress.

New York Times: "Obama to Wall St.: 'Join Us, Instead of Fighting Us' ... President Obama took his rhetoric of reform on Thursday to the nation's financial capital in a high-profile foray to chide Wall Street bankers for their "reckless practices" and to press for tighter regulations meant to avert another financial crisis."

Washington Post: "SEC divided on vote to file Goldman lawsuit ... Behind closed doors, the two Republican members of the Securities and Exchange Commission sharply questioned senior investigators last week about whether the evidence they had assembled was strong enough to file a fraud case against Goldman Sachs, according to current and former SEC officials familiar with the matter."

Wall Street Journal: "Angels Out of America ... Senator Chris Dodd's 1,400-page financial reform bill contains many economic land mines, and here's one of the worst: Provisions that would make it harder for business start-ups to raise seed capital."

Washington Post: "IMF proposes tax on financial industry as economic safeguard ... The International Monetary Fund has proposed a set of broad taxes on the financial industry to guard against future crises, and the levies that would target "excess" profits and compensation as well as raise hundreds of billions of dollars in the United States alone."

REPUBLICANS IN THE NEWS

Rep. Shelley Moore Capito issued the following press statement: [Capito Calls for Financial Regulatory Reform that Protects American Taxpayers](#)

Rep. Jeb Hensarling issued this press release: [Hensarling Letter To Senate Republicans Oppose S. 3217 In Its Current Form](#)

Rep. Scott Garrett issued this press release: Garrett to Jarrett: Fact Check on Fannie and Freddie

Rep. Randy Neugebauer issued this press statement: We Need Real Regulatory Reform That The Taxpayers Deserve

Rep. Tom Price issued this press statement: The Perfect Recipe for a Disastrous Political Economy

Rep. Spencer Bachus issued the following press releases: Bachus: Lehman Bankruptcy Report Is Further Evidence SEC, Fed Should Not Be Rewarded With More Regulatory Power; Bachus Says End The Bailouts, Reform Fannie And Freddie; Bachus Response to President's Wall Street Speech; Bachus Asks Geithner...Again...To Explain Administration's Plan For Bailout Authority In Advance of Senate Consideration Of Financial Reform; Bachus: SEC Failures Go Far Beyond Porn, Fundamental Reform is Needed

CARTOON OF THE WEEK

(Washington Post)